



Australian Government

**Department of the Environment
and Energy**

COST RECOVERY IMPLEMENTATION STATEMENT

Regulating emissions from non-road engines and propulsion marine engines

2017-18

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)¹, sets out the framework under which government entities design, implement and review regulatory charging activities.

¹ The Australian Government Charging Framework and the CRGs are available on the Department of Finance website (www.finance.gov.au).

1. INTRODUCTION

1.1 Purpose of the CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how the Department of the Environment and Energy (the Department) intends to implement cost recovery for the introduction of emission standards for new spark-ignition non-road engines and propulsion marine engines. The CRIS will also report financial and non-financial performance information relating to regulation of product emissions and provide financial forecasts for three forward years. The Department will review and maintain the CRIS while the regulatory activity and cost recovery arrangements are in place.

The cost recovery model has been designed to reflect the most efficient and effective costs associated with all aspects of delivering the regulatory scheme for non-road and propulsion marine engines.

1.2 Description of the regulatory charging activity

What is the regulatory activity being cost recovered? What policy outcomes will the activity achieve?

New Commonwealth legislation, the *Product Emissions Standards Act 2017*, commenced on 15 September 2017. It allows the Minister for the Environment and Energy to set emissions standards for products by designating them as emissions controlled products. The first emissions controlled products to be regulated under this legislation are new spark-ignition non-road engines of 19 kilowatts or less in power and new spark-ignition propulsion marine engines.

Establishing noxious emissions standards for these products through Commonwealth legislation was a key action under the National Clean Air Agreement established by Australia's Environment Ministers in December 2015.

Non-road engines and propulsion marine engines generally lack the advanced emission controls found in motor vehicles, so they can be high polluters relative to their engine size and usage. For example, a two-stroke leaf blower used for one hour can emit the same emissions of oxides of nitrogen as a car, and as much hydrocarbons as 150 cars, when operated over the same timeframe.

The product emissions standards for non-road engines and propulsion marine engines set limits for the emissions of oxides of nitrogen, carbon monoxide and hydrocarbons. The requirements of the legislation will be phased in from 1 July 2018 when all new non-road engines and propulsion marine engines imported must comply with the standards. From 1 July 2019 all new non-road engines and propulsion marine engines sold in Australia must comply with the standards.

Non-road engines and propulsion marine engines that are certified as meeting the emissions standards from the US EPA, California Air Resources Board, Canada and the European Union meet the Australian standards. If a product is not already certified in an accepted international jurisdiction an application may be made for Australian certification. In certain circumstances some products may be eligible for exemptions from the standards.

Regulating emissions from non-road engines and propulsion marine engines will deliver \$1.7 billion in avoided health costs over 20 years. The emissions standards for non-road engines and propulsion marine engines will also have an additional benefit as lower-emitting engines are more fuel efficient. This will result in less carbon dioxide emissions and contribute to meeting Australia's international obligations under the United Nations Framework Convention on Climate Change.

Emissions controlled products

The first products prescribed as emissions controlled products under the *Product Emission Standards Act 2017* are new spark-ignition non-road engines of 19 kilowatts or less in power and new spark ignition propulsion marine engines.

New spark-ignition non-road engines of 19 kilowatts or less in power includes products such as lawn mowers, leaf blowers, chainsaws and other products.

New spark-ignition propulsion marine engines includes personal water craft, outboard, inboard and sterndrive engines and other similar products.

Why is charging appropriate for the regulatory activity?

Cost recovery increases awareness of the real costs of government activity. The cost recovery arrangements for implementing emissions standards for non-road engines and propulsion marine engines consists of fees and levies designed in accordance with the Australian Government's Charging Framework and Cost Recovery Guidelines (CRGs). Fees apply for costs that result from the provision of particular services to individuals who are involved with the scheme and levies are used to recover costs arising from broader program delivery including compliance and enforcement.

Fees are charged for applications for the certification of engines to the Australian standards and for applications for exemptions from complying with the standards. The costs for these services are linked to specific individuals or organisations submitting applications that require assessment.

A levy on imports and levy on supply of locally manufactured² products will cover the costs of compliance, enforcement and delivery of the scheme. The import and supply of non-road engines and propulsion marine engines into the Australian market generates the need for this regulatory activity so, in line with the requirements set out by the CRGs, it is appropriate for costs to be recovered from importers and local manufacturers.

The Department has sought to minimise regulatory and administrative burden (and therefore costs) in designing the scheme. For instance, implementing averaging banking and trading of emissions, evaporative emission standards and domestic certification of products already covered by trusted international certifications would significantly increase the charges to industry with little impact on the overall benefits. Costs have also been reduced in establishing the information technology system to support the scheme by fully integrating with the Department's existing client relationship management interface. The financial estimates for

² Local manufacture refers to the manufacture of engines and does not include the assembly of equipment using imported engines.

delivering the scheme represent the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government.

Who will pay the regulatory charges?

Importers of non-road engines and propulsion marine engines will be liable for the levy. Local manufacturers² of non-road engines and propulsion marine engines will be liable for a levy on products supplied to the local market.

Levy payments will be calculated on an annual basis. It is proposed that the levies be calculated on a financial year basis (from 1 July to 30 June).

Importers or manufacturers that submit applications for Australian certification or for an exemption from the standards will pay the relevant application fee. Details of the proposed schedule of fees and charges is contained in section 3.3 of this CRIS.

What other stakeholders are affected?

The levy liability for importers will be calculated on import data provided by the Department of Immigration and Border Protection. Customs brokers who complete customs declarations for importers of non-road engines and propulsion marine engines are therefore key stakeholders in the scheme. The Department will ensure that appropriate training is provided to customs brokers to enable them to appropriately declare non-road engines and propulsion marine engines and provide the information required.

Wholesalers, retailers, suppliers and consumers of non-road engines and propulsion marine engines will find that non-compliant products will no longer be available. This will include products across the full price range in most types of products but will also include some of the cheapest models currently on the market. There are a full range of compliant products available. Alternatives such as electric or battery powered products are not affected by the regulations. Second hand non-road engines and propulsion marine engines are excluded from the scope of the legislation as are products that consumers already own. The levy model aims to minimise any price increases for compliant non-road engines and propulsion marine engines as a result of the additional cost.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activity

On 9 May 2017, as part of the Federal Budget, the Government announced cost recovery would be introduced to administer the new product emissions standards. Details of the budget announcement can be found in the Department of the Environment and Energy's Portfolio Budget Statement <http://www.environment.gov.au/about-us/publications/budget/portfolio-budget-statements-2017-18>

Cost recovery charges will commence once all enabling legislation has been passed by Parliament or made by the Minister for the fees and levies and the Cost Recovery Implementation Statement is finalised.

2.2 Statutory authority to charge

Which legislation provides authority to impose for the regulatory charges?

New legislation, the *Product Emissions Standards Act 2017*, *Product Emissions Standards (Customs) Charges Act 2017*, and *Product Emissions Standards (Excise) Charges Act 2017* were passed by the Parliament on 11 September 2017 and came into effect on 15 September 2017 providing authority for the emissions standards and their associated regulatory charges. Rules and regulations made under the new legislation will provide the details of the fees and levy. The proposed schedule of charges is contained in section 3.3 of this CRIS.

The specific sections of legislation authorising cost recovery are identified below. Once all subordinate legislation has been enacted it will be included in this section of the CRIS. The CRIS is published on the Department's website.

Product Emissions Standards Act 2017

- Section 51(2)(a) states that the rules may provide for charging fees for services provided in the performance of functions under this Act;
- Section 51(7) states that the rules may provide for the collection and recovery of charges imposed by the *Product Emissions Standards (Customs) Charges Act 2017* and the *Product Emissions Standards (Excise) Charges Act 2017*.

Product Emissions Standards Rules 2017

- Section 43(1) sets out the details of the fees for receiving and processing an application for Australian certification;
- Section 43(2) sets out the details of the fees for receiving and processing an application for an exemption;
- Part 9-Collection and recovery of charges, sets out the collection and recovery of the customs charge and excise charge.

Product Emissions Standards (Customs) Charges Act 2017

- Section 5 states that charge is imposed on the importation of emissions-controlled products
- Sections 6(a) and (b) state that the amount of the charge imposed on the importation of an emissions-controlled product is the amount prescribed by the regulations or worked out in accordance with a method prescribed by the regulations.

[The details of the Regulations once finalised will be included here.]

Product Emissions Standards (Excise) Charges Act 2017

- Section 5 states that charge is imposed on the manufacture of emissions-controlled products.
- Sections 6 (a) and (b) states that the amount of charge imposed on the manufacture of an emissions-controlled product is the amount prescribed by the regulations or worked out in accordance with a method prescribed by the regulations.

[The details of the Regulations once finalised will be included here.]

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activity

The cost recovery model that establishes the cost of efficient and effective administration of regulatory activities for non-road engines and propulsion marine engines includes fees for service and levy cost recovery charges. The regulatory outputs are broadly categorised as;

Output 1: Assessments of certification and exemption applications;

Output 2: Compliance and enforcement; and

Output 3: Scheme delivery.

Output 1: Assessments of certification and exemption applications

Applications for Australian Certification

In order for non-road engines and propulsion marine engines to be imported or manufactured and supplied into the Australian market they will need to meet the emissions standards specified under the *Product Emissions Standards Act 2017* and subordinate legislation. Products that have been certified as meeting the standards by the US Environment Protection Agency, California Air Resources Board, Canada, or the European Union will be recognised as meeting the Australian standards. Products certified under these systems have an identifying certification number which will need to be provided when the products are imported. When making an import declaration, tariff codes that cover non-road engines and propulsion marine engines will trigger a community protection question, which will request the input of the certification number.

In the event that a non-road or propulsion marine engine is not already certified in a recognised jurisdiction then an application may be made to the Department for Australian certification. Applications for Australian certification will have to submit laboratory emissions testing results to the Department for assessment. If certification is granted then a unique identifying certification number will be issued along with a set of conditions.

Applications for Australian certification will be assessed through one of two streams each with a different application fee. The differences in the assessment process and application fee reflect the complexity and therefore cost of the assessment, which will depend on the level of accreditation of the laboratory where emissions testing was conducted.

There will be a lower application fee for certification applications where testing has been conducted in a laboratory accredited by the International Laboratory Accreditation Cooperation (ILAC) to the appropriate standard. There will be a higher application fee when testing is conducted in a non-ILAC accredited lab as independent technical advice may be required by the Department to verify test results from non-accredited laboratories. The laboratory must be able to demonstrate that its testing complies with the engine testing procedures specified in the Australian emissions standards. These are equivalent to the testing procedure specified in the United States Environment Protection Agency Code of Federal Regulations Part 1065.

Important Information

If you plan to import and sell non-road or propulsion marine engines that have been certified in a jurisdiction recognised by the new legislation then you do not need to apply for Australian certification. This means products certified by the US EPA, California Air Resources Board, Canada, or the European Union. To import these products you will be asked to provide the overseas certification number before you import.

If the product you plan to import and sell is not certified in one of the recognised jurisdictions you will need to apply for Australian certification and pay the relevant application fee. When a product is certified against the Australian standards a certification code will be provided for the product which can then be provided at the time of import.

Appendix A of this document has a process map outlining the certification application assessment process.

Exemption applications

Under particular circumstances non-road or propulsion marine engines that do not meet the emissions standards may be imported or sold in Australia under exemption provisions. Applications for exemptions must be made to the Department. There are six exemption categories that are context specific and which have different requirements for provision of supporting information. An application must include a fee payment to the Department, the application is then assessed and if an exemption is granted, a unique identifying exemption number with a set of conditions will be provided for the emissions controlled product.

Table 1 Exemption categories

Exemption category	What is included	Tier level
(a)	<ul style="list-style-type: none"> Imported for re-export - will not be used in Australia or supplied to the Australian market 	3
(b)	<ul style="list-style-type: none"> Imported for testing, evaluation and display purposes 	1
(c)	<ul style="list-style-type: none"> Imported for use by the Australian military or security forces for national security purposes where compliant products are unsuitable or unavailable. 	2
(d)	<ul style="list-style-type: none"> Imported for use by recognised bodies for specialized rescue or emergency tasks where compliant engines are unsuitable or unavailable 	3
(e)	<ul style="list-style-type: none"> Imported for use in legitimate competition events managed by recognised incorporated organisations where compliant engines are unsuitable or unavailable. 	3
(f)	<ul style="list-style-type: none"> Imported as replacement engines for an existing non-road or propulsion marine engine which has no suitable alternative. 	3

Important Information

If you intend to import a non-road or propulsion marine engine that falls into one of the categories above you may be eligible for an exemption from complying with the standards. Exemptions can only be granted in restricted circumstances depending on the type of exemption being sought. Payment of the relevant exemption fee is required before an application for an exemption will be assessed.

Appendix A of this document has a process map outlining the exemption application assessment process.

Output 2: Compliance and Enforcement

Compliance and enforcement activities will be coordinated through a compliance strategy covering compliance education, monitoring, auditing, investigations, and liaison with the Department of Immigration and Border Protection. The compliance education program is important as this is a new regulatory activity for a previously unregulated community. The aim of this program is to help importers, manufacturers and suppliers to understand the requirements of the legislation so they can comply with the legislation. The compliance education program will include information for importers about their obligations under the legislation. There will also be training for customs brokers to ensure awareness of the new requirements for importers of non-road or propulsion marine engines.

Output 3: Scheme Delivery

The levy will also recover the costs of the activities that support delivery of the scheme. These activities include the development and implementation of an online system to allow importers to manage their applications for certifications and exemptions, to process payments and to meet any reporting obligations. Other scheme delivery activities include providing information to stakeholders who will interact with the program, responding to enquiries, staff training, monitoring performance of the program including cost recovery arrangements and ensuring the legislation and standards are updated.

Levy on imports and supply of locally manufactured non-road or propulsion marine engines

The levy on imports and supply of locally manufactured non-road or propulsion marine engines will recover the costs of compliance and enforcement activities and activities that support the scheme's delivery including the capital costs of the IT system. The initial establishment costs will be recovered over the first four years of the program. It is expected that the levy will decrease after this time as the establishment costs such as the IT system will have been recovered.

The levy owed by each liable importer will be based on imports over a 12 month period using import data from the previous financial year. The Department will calculate potential levy liabilities from import data and issue levy liability notices in August allowing importers to review and if necessary correct their import data by 1 October. The Department will recalculate the levy and issue invoices for payment due by 30 November. Only new imported items will be subject to the levy. (Appendix B has a levy assessment process map and Appendix C has some further information).

The levy on supply of locally manufactured non-road engines and propulsion marine engines will be calculated using reports submitted by manufacturers to the Department within the first 60 days after the end of the financial year (further details are in the Rules made under the Product Emission Standards Act 2017)³. At this stage it is not anticipated that the levy on domestic manufacturing will be a significant source of revenue for the program as there is negligible domestic manufacture of non-road engines and propulsion marine engines. (Appendix B has an assessment process map).

Further details on the levy, including how it may affect you, are in Section 3.3 of this CRIS.

³ Local manufacture refers to the manufacture of engines and does not include the assembly of equipment using imported engines.

3.2 Costs of the regulatory charging activity

The cost recovery model for the product emissions standards regulatory activity reflects the costs of undertaking the activities that support the delivery of the scheme. In developing the model, interviews and workshops were conducted with officers performing similar regulatory functions. Staffing costs reflect the complexity of the work and the need to exercise professional judgement. The estimates of the outputs are based on import data from the Department of Immigration and Border Protection, industry data, other regulatory programs, enquiries the Department has received to date and current levels of compliance effort for other comparable legislative schemes.

The volume estimates for applications for Australian certification are based on an assumption that the majority of non-road engines and propulsion marine engines imported into Australia once standards are in place will already be certified in one of the recognised jurisdictions and therefore demand for these services would be relatively low. For exemption applications the volume estimates are based on factors including experiences in overseas jurisdictions and the range of certified products that are already available.

The direct costs of the activity include staff and supplier costs. The indirect costs include administrative support, accommodation and technology costs. The capital costs relate to the IT system for management of data and workflows.

Regulatory charging activity and the costs of delivering the program will be reviewed on an annual basis and charges revised to ensure minimum efficient costs to those paying for the scheme.

Table 2 Cost breakdown estimates for 2017-2018 budget year

	Direct costs	Indirect costs	Capital costs
Output 1 Assessment of certification and exemption applications			
Assessment business processes: Assessment, recommendation, issuing unique numbers and conditions, reporting	\$464,469	\$64,254	
Output 2 Compliance and Enforcement			
Compliance and Enforcement business processes: Monitoring and audits, investigation, education, compliance strategy, debt recovery	\$203,127	\$31,098	
Output 3 Scheme Delivery			
Scheme delivery business processes: Enquiries, international reporting, updating legislation & standards, payment processing, training, legal costs & monitoring cost recovery	\$848,370	\$122,726	
Capital costs:			\$1,108,400
IT system development			
Department of Immigration and Border Protection	\$48,000		
TOTAL	\$1,563,966	\$218,078	\$1,108,400

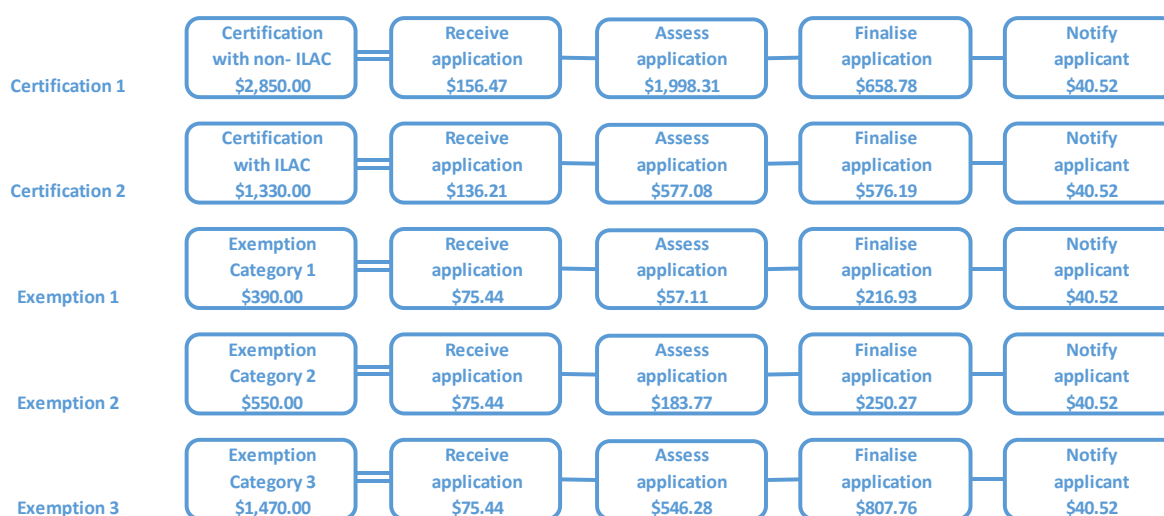
3.3 Design of regulatory charges

A combination of fees and levies are used to recover costs based on whether the benefits of a particular service (costs) are able to be linked directly to individuals or are provided to the industry more generally. The regulatory charges have been designed to recover the full costs of the scheme over a period of four years, as represented in Table 5, Section 6.

Application fees

The application fees for Australian certification and exemptions reflect the cost of the work effort required to undertake the assessment, this includes collecting the fees and associated financial processes, assessing the application, making a recommendation to the decision maker and issuing a certificate with a unique identifying number and a set of conditions to the applicant. The upfront application fees are flat rates and were determined according the level of assessment required for the respective applications.

Application fees and sub components



The fee rates will be reviewed annually based on the level of demand for certifications and exemptions and the actual costs of providing these services to program users. The first review will coincide with the review of the levy rate following the first full year of operation of the levy in July 2019. A timeline of forward dates is at Section 8.

Receiving an application includes confirming the application type details, sending an invoice, receiving a payment and allocating the task to an assessment officer. Assessment includes comparing the specifications of the application against the appropriate standard, verifying the details provided or seeking additional information, commissioning technical advice if required. Finalising an application involves preparing a report for delegate approval, specifying reporting criteria, assigning to a delegate, generating a certification or exemption number. Notification involves providing certification or exemption advice to the applicant and recording information on internal and public databases.

Levy

The proposed levy on imported non-road or propulsion marine engines is based on the cost driver associated with administering the scheme, a line of import data. A line of import data is a line on an import declaration relating to one type of emissions controlled product with a unique description (e.g. XYZ model lawn mower) and its relevant tariff code.

At import any of non-road or propulsion marine engine related tariff code (identified in around 50 different tariff codes) will prompt a request (community protection question) for a certification code that indicates the item meets the emissions standards. Following import each line of import data is checked to verify that the product is certified.

There can be any number of individual items represented on a line of import data. The value of the item has a correlation with the number of items imported per line. Lower value non-road engines and propulsion marine engines are generally imported in higher numbers per import line than high value items.

As a result of the above, the levy rate is a percentage of the value of imports in a financial year from data obtained from the Department of Immigration and Border Protection. The initial rate of 0.45 percent was determined by using an estimate of the total volume of non-road engines and propulsion marine engine imports from 2015 and 2016. The levy rate will be reviewed annually based on actual import figures, the level of demand for services provided through the program and the actual costs of delivering the scheme. The first opportunity to review the levy rate will be following the first full year of operation of the levy in July 2019.

A low levy threshold has been calculated below which the levy is not charged as it is not economical to do so. This would be set at the cost of administering a levy liability which includes calculating the levy liability, contacting the importer to confirm the liability amount, sending an invoice and processing the payment. The cost model shows the cost of processing a levy payment to be around \$140.

Utilising a low levy threshold, the number of importers that would pay a levy is reduced from 1264 to 332, with a reduction in total levy revenue (from levy amounts below \$140) totalling approximately \$30,000. This approach reduces the overall administrative costs of the scheme by around \$130,000 as the Department does not incur the gross cost of recovering the levy from those below the threshold.

A high value per item threshold is included for the levy to better approximate the costs of processing higher value products. Setting the maximum item value at \$20,000 results in a maximum levy per item of \$90 ($\$20,000 \times 0.45$ percent). When applied to the import data this figure closely matches the estimated cost for the Department in administering the scheme for higher value imports.

The levy will be invoiced annually. The levy liability will be calculated based on the total product imports for the previous financial year. The first year that importers may be liable for a levy on imports of these products will be 2019 for the imports made in the 2018-2019 financial year.

Each year the Department will obtain import data in July for the previous financial year from the Department of Immigration and Border Protection. A levy liability will be calculated and a statement of liability will be issued and sent to importers in August. The levy will be calculated using value fields that include the costs of transport and insurance. Importers will be given the opportunity to correct import declarations by that have been incorrectly reported by 1 October by amending import data with the Department of Immigration and Border Protection.

After 1 October each year the Department will obtain the corrected import data from the Department of Immigration and Border Protection and make a final levy calculation which will be invoiced to importers in late October. Importers will have to pay the levy invoice by 30 November.

Throughout this process and prior to issuing a statement and an invoice the Department will be in regular contact with stakeholders to advise them of upcoming key dates.

The levy rate for supply of locally manufactured products is the same as the levy on imports to ensure a level playing field. Once all legislation is in place for the scheme, the details of the fees and levy will be found in the legislation and its associated rules and regulations and the Department's website as well as this document.

Table 3 Charge rates and volume estimates for the 2017-2018 financial year

Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Certification application (ILAC lab testing)	Fee	\$1,330	60	\$79,800	1	• Assessment business processes
Certification application (non-ILAC lab testing)	Fee	\$2,850	66	\$188,100	1	• Assessment business processes
Exemption category tier 1	Fee	\$390	100	\$39,000	1	• Assessment business processes
Exemption category tier 2	Fee	\$550	62	\$34,100	1	• Assessment business processes
Exemption category tier 3	Fee	\$1,470	60	\$88,200	1	• Assessment business processes
Levy on imports*	Levy	0.45%	0	0	2 & 3	• Compliance & enforcement & scheme delivery processes
Levy on manufacturing*	Levy	0.45%	0	0	2 & 3	• Compliance & enforcement & scheme delivery processes
TOTAL				\$429, 201		

* Please note that levy payments will commence in 2019 for the 2018-2019 financial year.

GST does not apply to any of the fees or levies. Please note that Regulations need to be finalised in order for the levies to come into effect. Once they are finalised the CRIS will be updated and contain the information as above.

4. RISK ASSESSMENT

As part of the design of the cost recovery model the Department completed a charging risk assessment. The risk assessment's overall rating for implementation of cost recovery is medium. The implementation risks relate to complexity, materiality and sensitivity.

Table 4 identifies risks for the cost recovery arrangement and management strategies.

Table 4 Risks for the cost recovery arrangements

Risk	Management Strategy
<ul style="list-style-type: none"> Charges may under or over recover the costs associated with effective and efficient administration of the scheme. 	<ul style="list-style-type: none"> On an annual basis, review the assumptions made in developing the cost recovery model and revise the model to ensure accuracy in charging. Establish a repeatable process for reviewing costs. Make any statutory changes required. Work with Industry to review progress with cost recovery and estimates of total imports
<ul style="list-style-type: none"> Stakeholders do not understand which charges they may need to pay. 	<ul style="list-style-type: none"> Ensure broad stakeholder engagement to inform importers and domestic manufacturers of cost recovery arrangements. Clearly document charges, make them publicly available. Provide advice to stakeholders, including through a dedicated telephone number.
<ul style="list-style-type: none"> CRIS consultation does not reach all stakeholders 	<ul style="list-style-type: none"> Ensure that all industry and peak bodies are involved and contacted through stakeholder engagement which is undertaken as part of the CRIS process.

The key risks for payees relate to the prices for the fees and levy, how these may change over time and how often they may change. The fees and levies and costs of administering the scheme will be reviewed annually and this may lead to the fees and levies being adjusted. Drivers for the need to change the fees and levies are changes in the value (and volume) of imports, changes in the costs of delivering the program and changes to the demand for the services under the scheme.

Customs agents and importers filling out import declarations will be notified that non-road engines and propulsion marine engines are covered by a levy and that they may be liable for a levy payment as a result of their forthcoming import activity. Following the importation of non-road or propulsion marine engines the Department will send notifications to all relevant importers advising them that their imports may result in a levy liability to the Department. The process for finalising the levy liability is set out in section 3.3 of this paper.

The CRIS may be updated at any time based on the need to monitor progress with the cost recovery arrangements and to ensure that the revenue raised by the scheme equals the costs of administration. Payees will be notified of any proposed routine or unexpected changes to fees and the levy by email where Payees are actively engaged with the scheme and through web notifications for the broader industry and public.

5. STAKEHOLDER ENGAGEMENT

The Department has conducted meetings with stakeholders, convened an industry advisory group and has released a range of information including an information paper and an update paper advising on progress with developing the scheme. Most recently consultation was conducted on the draft CRIS.

5.1 Summary of stakeholder feedback

The draft CRIS was released for public consultation between 13 October and 6 November 2017. Three submissions were received in that time, and two shortly after. Submissions were received from: Blue Sky Alliance, Outboard Engine Distributors Association (OEDA), Boating Industries Association (BIA), ATOM Industries and the Outdoor Power Equipment Association (OPEA).

Some submissions expressed the view that they would prefer not to pay for the scheme but that government should cover the costs because of the expected savings in health costs that the scheme will deliver.

Other submissions suggested that the scheme might be funded through the fines imposed as penalties under the Act. This approach is not possible because fines and penalties are not regulatory charging revenue for the purpose of funding a program on a sustainable basis and may provide an incentive for poor administration.

Comments also included feedback that the proposed compliance and enforcement arrangements were inadequate and conversely that they were excessive.

An “export rebate” was also suggested for importers that subsequently export products. This approach is not in line with full cost recovery. It would be complex and costly to administer, with other business bearing these costs. Arrangements to support a rebate would also increase industry’s regulatory burden and the scheme’s administrative costs which would lead to a higher levy.

Industry representatives also indicated their general acceptance of the proposed cost recovery arrangements and offered advice on the detail of the fees and levy structure. Industry also indicated a willingness to continue working co-operatively with the Department.

The cost recovery model presented in this CRIS represents the most efficient and effective, low regulatory burden mechanism for implementing product emissions standards. The Department is continuing to work with industry on streamlining the implementation of the arrangements as well as providing further advice as required.

5.2 Changes made to CRIS based on stakeholder feedback

Following stakeholder consultation, consideration and analysis of the submissions the following changes were made to the charging arrangements outlined in this CRIS. The levy rate was reduced from 0.5 percent to 0.45 percent as a result of additional information on the size of the industry and the future impact of factors such as the growth in battery products. The per-item cap was reduced from \$40,000 to \$20,000 per item to better reflect the Department’s costs of administration. The fees for certification using a non-ILAC accredited laboratory was reduced from \$5,220 to \$2,850 to

better reflect the Department’s expected costs because a proportion of repeat laboratory uses would not require a full technical assessment.

6. FINANCIAL ESTIMATES

Table 5 Financial estimates to 2020-21

	A	B	C	D
	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)
Department of the Environment & Energy Expenses	-2.842	-1.818	-1.818	-1.818
Department of Immigration & Border Protection Expenses	-0.048	-0.020	-0.020	-0.020
Revenue	0.429	2.658	2.658	2.658
Balance	-2.461	0.820	0.820	0.820
Cumulative balance	-2.461	-1.641	-0.821	0
Explain material ^a variance	Estimates adjustments will be made through the Budget estimates update process.			
Explain balance management strategy	Effort monitoring processes will be implemented and the fees and levies reviewed once the IT system has been fully implemented and cost recovery charges have been in effect for one year to ensure that the estimates of expenses and revenues are current.			

^a As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister’s Orders.

7A. FINANCIAL PERFORMANCE

This regulatory activity will commence in 2017-18 and as this is the first CRIS for this regulatory activity there are no prior financial results. This section will be updated as data becomes available.

In future years, financial performance will include tracking estimated costs against actual costs annually. Where it becomes clear that there are over or under recoveries amounting to more than 10 percent of the total revenue the rates for the levy amount will be reviewed at that time.

7B. NON-FINANCIAL PERFORMANCE

The non-financial performance of the regulation of non-road engines and propulsion marine engines is monitored through a range of key performance indicators reported in the Department’s annual report. Some examples of key performance indicators:

- Timeliness in determining the levy liability.
- A high proportion of applications processed on time in accordance with time standards, these will be reported in the CRIS. The assessment timeframes will be published on the Department’s website.

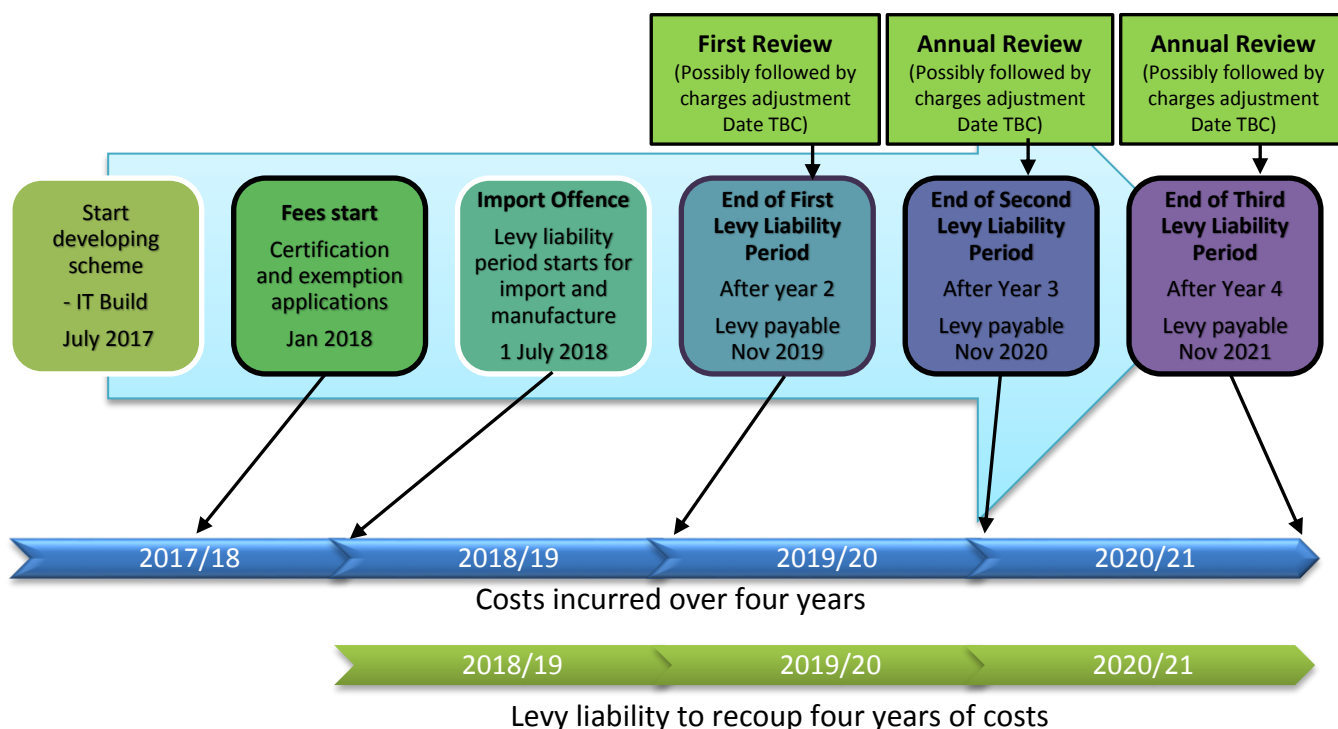
Table 6: The following table will include performance measures for the assessment processes.

Type of application	Financial year 2017-18	
	Number received	Percentage processed within time standards
Certification (emissions testing conducted in an ILAC accredited laboratory)		
Certification (emissions testing conducted in a non ILAC accredited laboratory)		
Exemption category tier 1		
Exemption category tier 2		
Exemption category tier 3		

8. KEY FORWARD DATES AND EVENTS

The next important forward date will be the commencement of fees for applications for certification and exemptions. This will take place by January 2018 pending all policy and statutory approvals, ahead of the import offence which is due to begin on 1 July 2018.

Fees and levies will be reviewed once the IT system has been fully implemented and all cost recovery charges have been in effect for one year (that is after July 2019) and each following year.

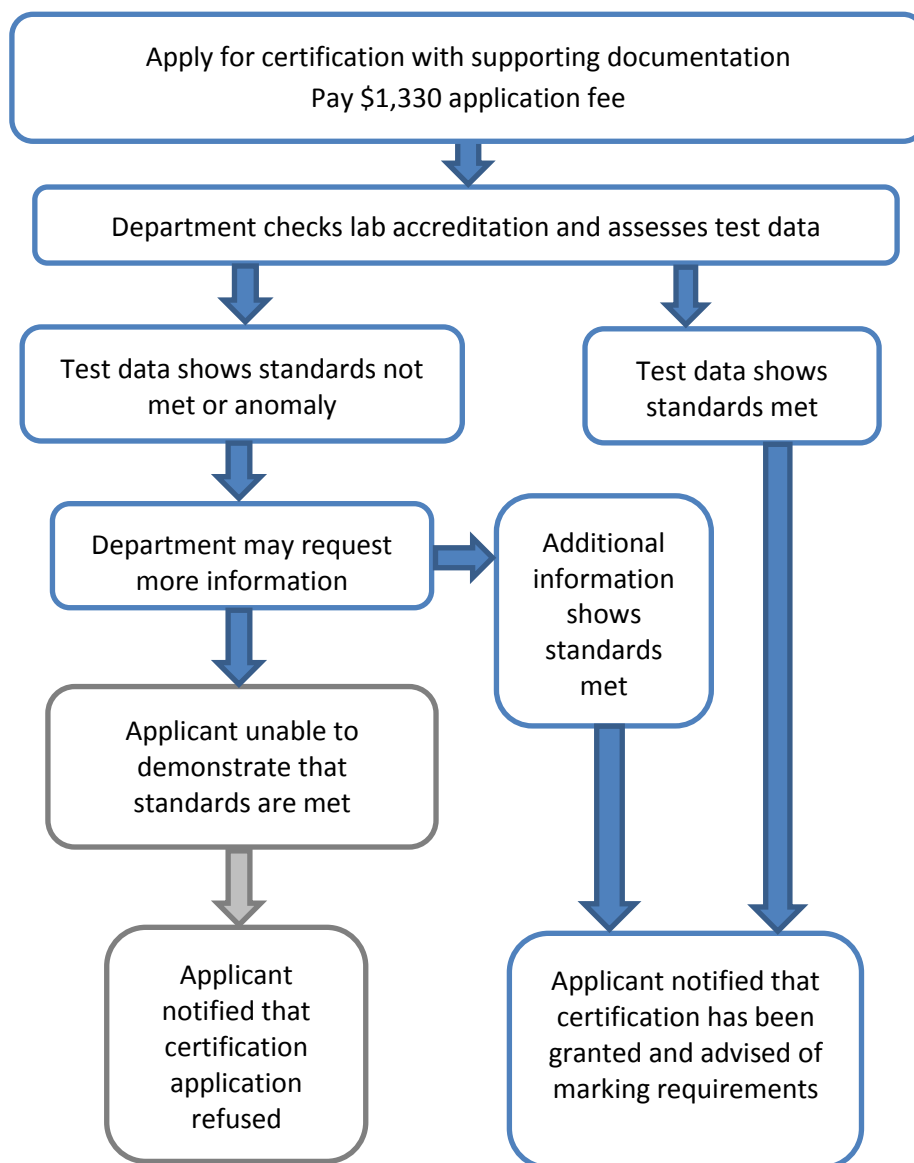


10. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
13/10/2017	Draft CRIS for public consultation	Department of the Environment and Energy	New regulatory charging activity
18/12/2017	Agreement to the CRIS	Minister of the Environment & Energy	New regulatory charging activity

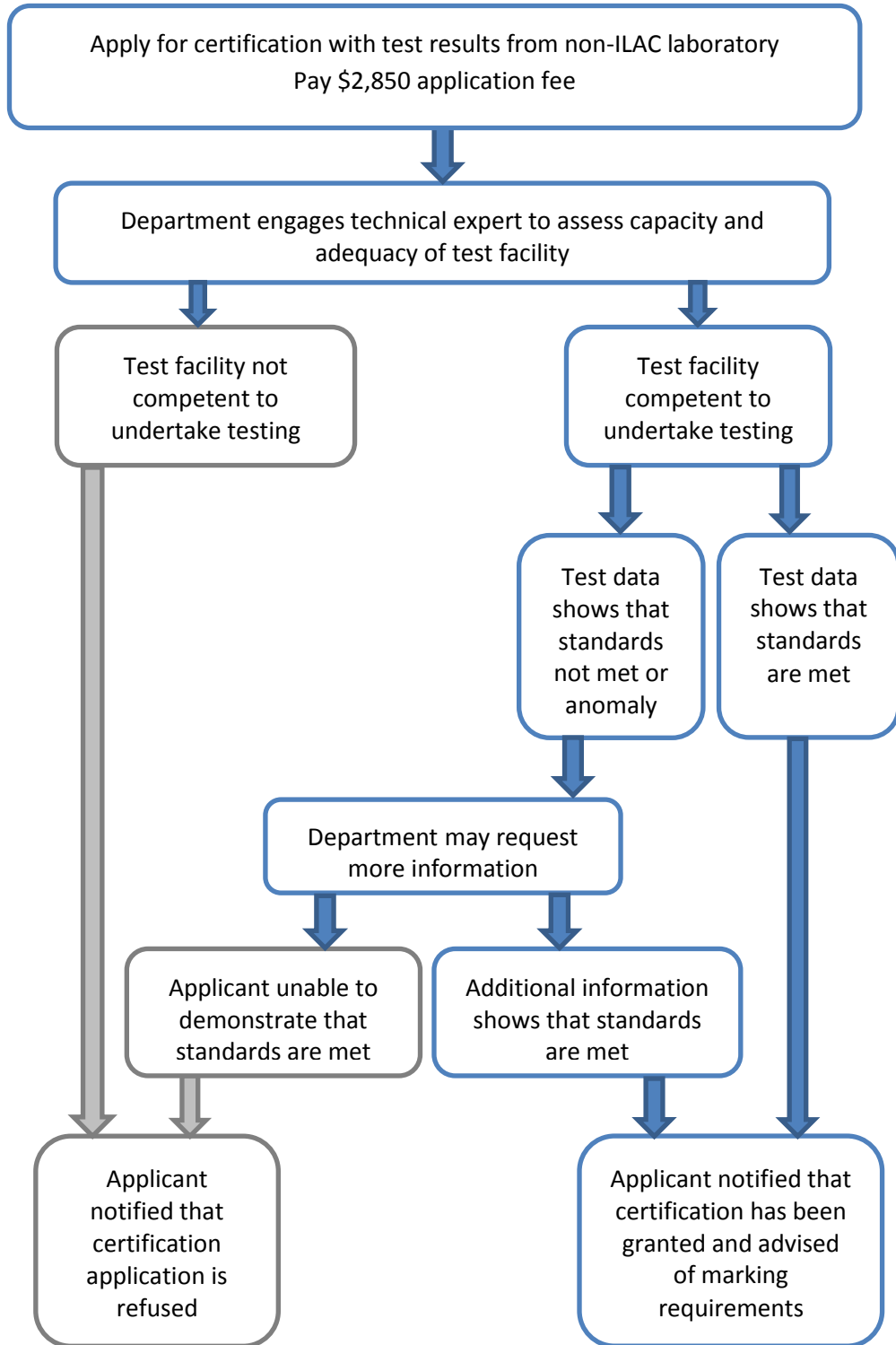
Certification application and assessment process

Engine testing completed by ILAC-accredited laboratory

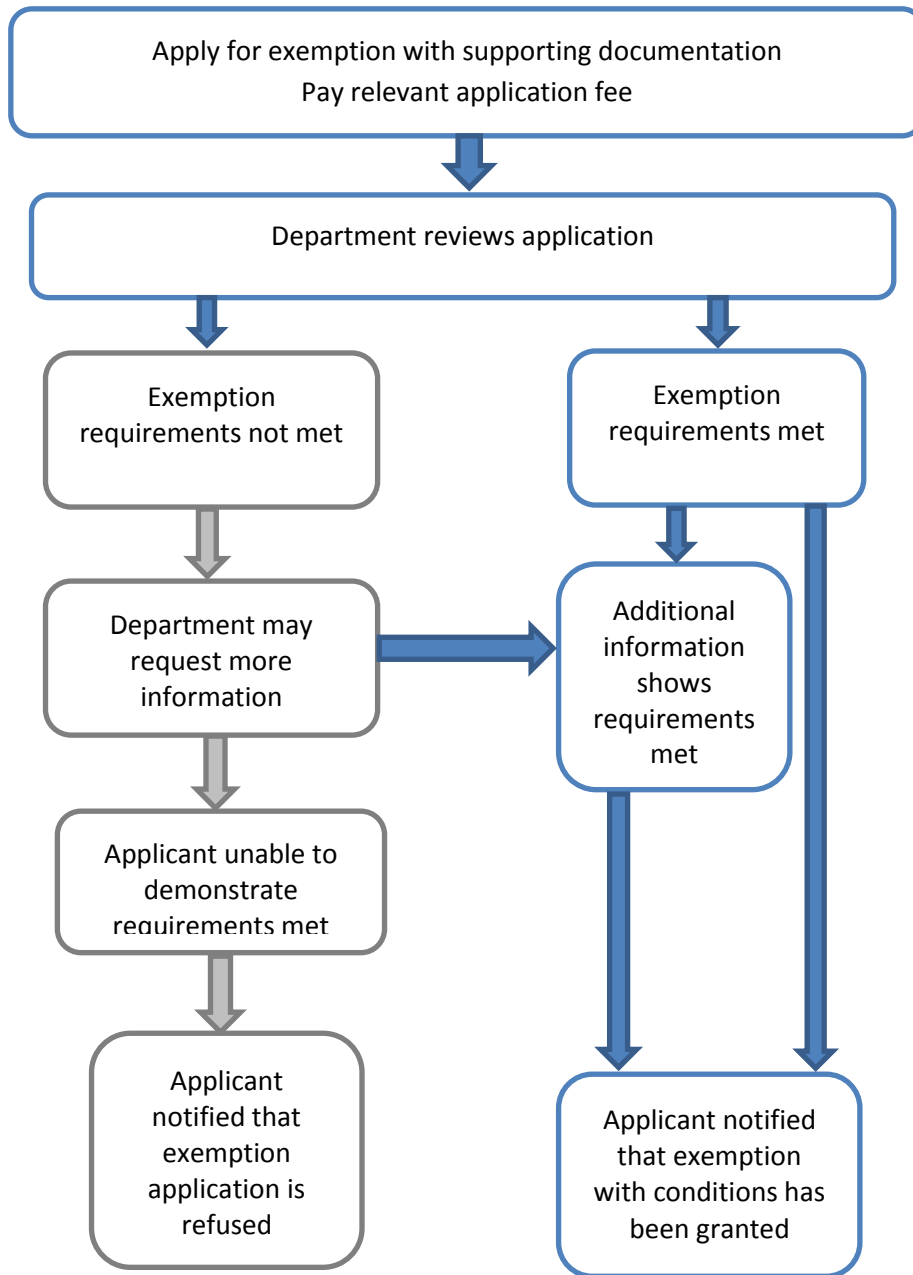


Certification application and assessment process

Engine testing completed by non-ILAC-accredited laboratory

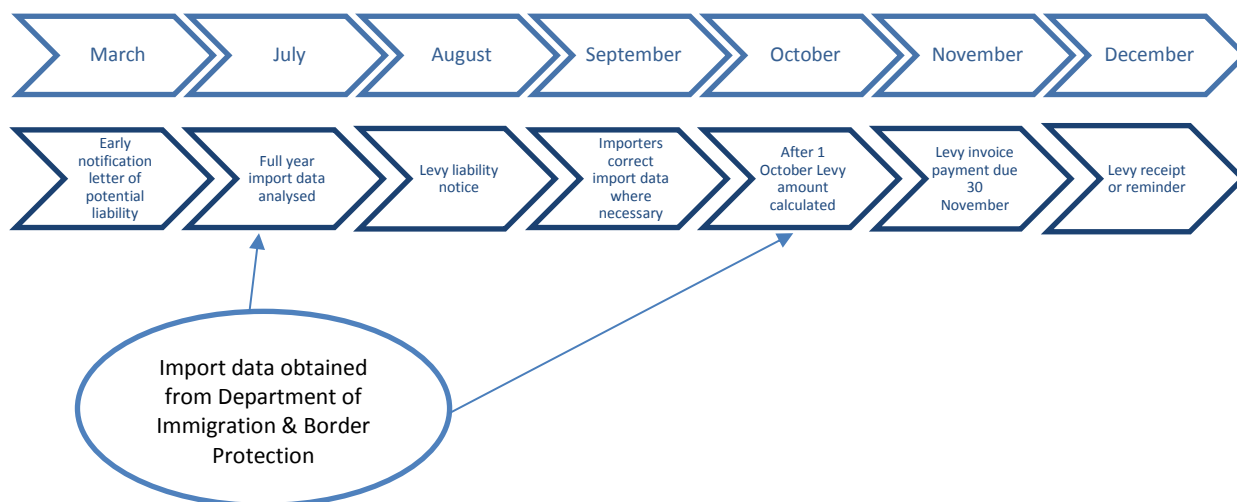


Exemption application and assessment process

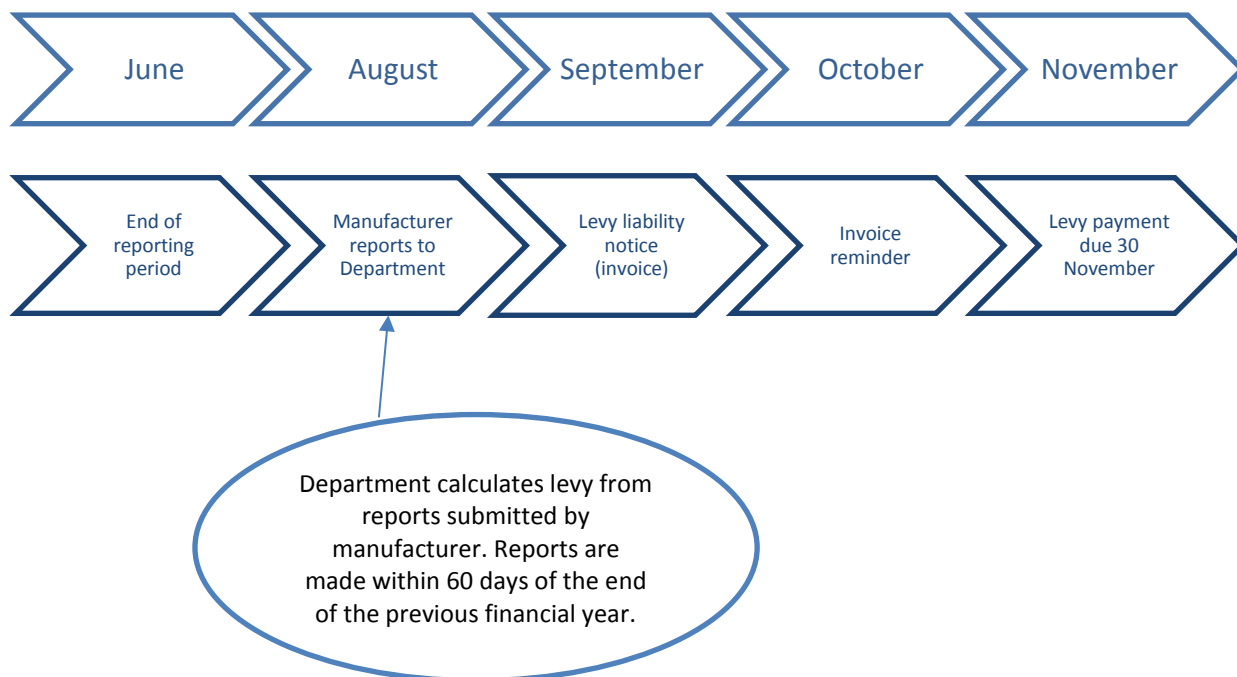


Levies assessment and collection processes

Timeline for collection of the levy on imports



Timeline for collection of the levy on supply of locally manufactured products



Further information on the levy amounts payable

Q: When will I be informed that I might be liable for a levy?

A: The levy will commence on 1 July 2018. That means the first year that importers of non-road engines and propulsion marine engines will be liable for a levy will be in 2019 for the 2018-19 financial year.

Prior to the end of the financial year the Department will contact importers to inform them that they may be liable for the levy. After the end of the financial year, the Department will obtain import data from the Department of Immigration and Border Protection and issue a statement of liability to the importer for the 2018-19 financial year. If the importer believes that they may have incorrectly completed their import declaration and the statement is incorrect they will need to amend the import declaration data. This will be required by 1 October of that year. After this date the Department will re-obtain the import declaration data from the Department of Immigration and Border Protection and recalculate the levy liability and issue an invoice with payment to be made by 30 November of that same year.

Q: How does the Department calculate the levy?

A: The Department collects import declaration data from the Department of Immigration and Border Protection. The calculation is then made according to the following formula:

Total declared value of products imported in a financial year x 0.45 percent

The total declared value is based on the customs value + line transport & insurance.

As part of the Department's calculation of the levy, a per item upper limit threshold is applied. This means that a maximum value of \$20,000 per item is applied. For example if the value of an individual item is \$60,000 or \$1,000,000 the maximum value that will be used for the calculation is \$20,000. If you import one item in a financial year and its declared value in your import declaration is \$75,000 then the levy calculation will be based on \$20,000.

$$\$20,000 \times 0.45 \text{ percent} = \$ \text{ Levy}$$

Q: What other thresholds does the Department apply?

A: The Department applies a low levy threshold of \$140 in a financial year. This means that if the total levy liability for an importer is \$140 or less then the Department considers that you are not liable to pay the levy.